

UNITED STATES DEPARTMENT OF AGRICULTURE

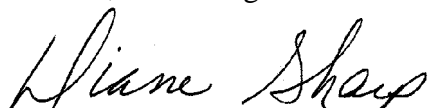
Farm Service Agency
Washington, DC 20250

Notice PF-158

For: State and County Offices

Reminder for Issuing FY 2001 Final Production Flexibility Contract (PFC) Payments

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

A

Background

Pub. L. 104-127, the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act), provides that, "An annual contract payment shall be made not later than September 30 of each of fiscal years 1996 through 2002".

The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (2000 Act), modified the 1996 Act for FY 2000 through 2002 by allowing producers to:

- receive PFC payments as either of the following:
 - two 50 percent payments
 - one 100 percent payment
- specify the month and year they want to receive PFC payments.

County Release No. 443, released to County Offices in September 2000, contained the FY 2001 PFC payment processing software that incorporated the requirements of the 2000 Act.

To date, approximately \$3.5 billion, or 86 percent, of the FY 2001 funding allocation has been issued to eligible PFC producers.

Continued on the next page

Disposal Date

October 1, 2001

Distribution

State Offices; State Offices relay to County Offices

1 Overview (Continued)

B

Purpose

This notice:

- reminds County Offices:
 - of the requirements for issuing FY 2001 final PFC payments
 - of processes that must be completed to ensure that PFC payments are processed accurately and timely
 - that the regular PFC payment process will be disabled after September 30, 2001
 - of the tools available to assist with ensuring that payments are issued timely and accurately
 - advises State and County Offices of:
 - how the FY 2001 PFC payment software will function after August 1, 2001
 - actions that **shall be taken** to ensure that all payments are processed before the September 30, 2001, statutory deadline.
-

2 Responsibilities

A SED Responsibilities

SED's:

- are responsible for:
 - providing oversight and guidance on AMTA
 - ensuring that PFC payments are issued timely
 - **shall take all steps necessary to ensure that FY 2001 final PFC payments are issued by September 30, 2001, to be in compliance with the statute.**
-

B Ensuring That Payments Are Issued Timely

In previous years, County Offices were required to submit payment registers, with DD signatures and explanations, to the State Office to ensure that payments to eligible producers were issued timely. Even with these efforts, the volume of requests for authorization codes were still excessive.

State Offices shall take whatever action is necessary to ensure that FY 2001 payments are issued timely. This may include reviewing any or all of the following:

- CCC-478B/CCC-478 Status Reports
 - pending payment registers
 - nonpayment registers
 - overpayment registers.
-

Continued on the next page

2 Responsibilities (Continued)

C

Authorized Payment Processing

The authorized payment process was developed to provide County Offices with a method for issuing PFC payments after the September 30, 2001, statutory deadline for cases involving:

- disputed shares
- pending bankruptcies
- appeals.

The authorized payment process is not intended to be an alternative to the regular payment process. Since 1996, the number of authorization requests have not declined, and there are still a large number of cases being submitted to the National Office. Unfortunately, the vast majority of the cases being submitted for authorization codes are for the following types of cases:

- misaction/misinformation where producers did not meet program requirements because of County Office error or neglect
- County Office failure to update the system properly or timely
- County Office failure to update subsidiary files timely so that other County Offices receive the subsidiary download in time to issue PFC payments
- County Offices loaded software that disabled payment processing before all final PFC payments were issued
- County Office failure to timely update CCC-478 after being notified by the producer of a change in the farming operation that necessitated revising shares or adding producers to the existing CCC-478
- County Offices canceling payments that have been:
 - issued to the producer
 - negotiated, which must be re-entered in the system for fiscal tracking purposes.

Requesting authorization codes is a time-consuming process at all levels of FSA. As a result, the resources dedicated to preparing and reviewing requests for authorization codes are prevented from completing other program priorities.

Continued on the next page

Notice PF-158

2 Responsibilities (Continued)

C

Authorized Payment Processing (Continued)

SED's shall take all steps necessary to ensure that FY 2001 final PFC payments are issued by the September 30, 2001, statutory deadline except for cases of disputed shares, pending bankruptcies, and appeals to:

- comply with the statute
 - alleviate the burden placed on County Offices, State Offices, and the National Office
 - ensure that producer's payments are not unnecessarily delayed.
-

D

Withholding Payments

58-FI specifies that payments may be withheld as follows.

IF the case...	THEN program payments may be withheld if authorized...
involves bankruptcy	in writing by the Regional Attorney.
does not involve bankruptcy	by DAFP.
involves a request to withhold payment by OIG	

County Offices do not have the authority to withhold payments past September 30, 2001, for cases involving **potential** adverse program eligibility determinations. State and County Offices shall follow the provisions of 58-FI, paragraph 177 for procedure to request that payments be withheld.

E

Processing Overpayments

2-PF, paragraph 221 specifies that overpayments shall be calculated for **all** farms once every 60 calendar days.

County Offices shall ensure that:

- an "All" overpayment batch is run every 60 calendar days for all program years that have not been closed out
 - legitimate debts to CCC are immediately transferred to CRS
 - action is taken to correct conditions causing producers to be listed as overpaid when they are not legitimately overpaid.
-

3 FY 2001 PFC Payment Processing

A

Introduction

The 2000 Act provided producers with the option to receive FY 2001 PFC final payments in increments of the following:

- two 50 percent payments
- one 100 percent payment.

However, the 2000 Act did not provide FSA with the authority or discretion to issue FY 2001 PFC payments after September 30, 2001. Therefore, because of the mandates of the 1996 Act, the regular payment process will be disabled after September 30, 2001.

Note: County Offices will not have the capability to process FY 2001 PFC payments on October 1, 2001, even though September 30, 2001, falls on a Sunday.

Even though the regular payment process will be disabled after September 30, 2001, the PFC payment software has been enabled throughout the FY which:

- allowed producers to receive PFC payments at such time that the producer specified during the FY
- distributed workload over the FY instead of placing a heavy burden on County Offices at the end of the FY.

Continued on the next page

3 FY 2001 PFC Payment Processing (Continued)

B

FY 2001 Final Payment Processing

The FY 2001 PFC payment software reads the producer payment selection file to determine:

- whether the producer has requested an FY 2001 payment
- month and year that the producer has selected to receive a PFC payment by farm
- whether the producer chose to receive two 50 percent payments or one 100 percent payment.

The PFC payment process is designed to default to a “final” payment mode after August 1, 2001. As a result, the regular payment process will not read the producer payment selection file after August 1, 2001, except for those producers who have:

- refused PFC payments on a particular farm
- been flagged as being ineligible because of a violation that resulted in contract termination on another farm.

After August 1, 2001, the system will automatically issue 100 percent of the annual PFC payment, minus payments already issued, for **all** eligible producers on approved AMTA contracts.

Note: After August 1, 2001, County Offices are not required to record either of the following in the producer payment selection file for FY 2001:

- the month the producer wishes to receive the payment
- the payment percentage.

Continued on the next page

3 FY 2001 PFC Payment Processing (Continued)

C

County Office Action

To meet the September 30, 2001, statutory deadline established for final payments, County Offices shall begin processing **all** FY 2001 final PFC payments **on August 2, 2001**. County Offices **shall not wait** until September to process FY 2001 final payments, even if producers specifically requested that the payment be issued in September.

Payments can be processed by any of the following:

- by farm
- by producer
- for a range of farms
- randomly, by selected farms
- for all farms.

County Offices shall:

- ensure that PFC payments are issued to eligible producers during the month that the producer requested before August 1, 2001
 - issue **all** final payments beginning on August 2, 2001
 - review the pending payment register to identify producers whose payments have been reduced because of FAV or payment limitation, and take any appropriate action necessary to ensure that the earned payment amount has been issued to the producer
 - review the nonpayment register to identify producers whose payment was not issued, and take immediate action to rectify the condition preventing the payment from being issued, if the producer is eligible for the payment.
-

4 Successions-in-Interest

A

Introduction

County Release No. 448 included the software to record full and partial successions-in-interest.

B

County Office Action

County Offices shall:

- ensure that adequate notification has been provided to producers about the need to inform the County Office of any changes to the farming operation
- ensure that changes in farming operations reported by producers when certifying crops, or at any other time, are reflected on CCC-478 before August 1, 2001
- ensure that successions-in-interest are recorded for **all** predecessors that received FY 2001 PFC payments, regardless of the percentage, whose share or interest in the contract crop has subsequently been reduced
- review the “Succession-in-Interest Transaction Report” to ensure that payment adjustment amounts are computed properly for any succession-in-interest **before** processing the PFC payment
- if necessary, cancel the succession-in-interest and re-record it properly to ensure that the producer’s earned payment is calculated properly
- issue additional payments to predecessors and successors, as necessary
- compute and transfer overpayments to CRS, as necessary.

See 2-PF, Part 12 for procedure in recording successions-in-interest.

5 FAV Acre-for-Acre Payment Reductions

A

Introduction

The APR software was released early in the FY to provide County Offices with the capability to record the number of contract acres planted to FAV.

B

County Office Action

County Offices shall ensure that all FAV acre-for-acre payment reductions are recorded in the system according to 4-CP before processing “final” payments.

Note: In previous years, some County Offices did not process the final payment to producers with known FAV acre-for-acre reductions. As a result, the payment reduction was not applied properly in the system and authorization codes had to be issued to satisfy the producer’s FAV reduction. County Offices shall ensure that 100 percent of the producer’s annual payment has been issued to the producer with the applicable payment reductions.

IF 100 percent of the annual PFC payment has...	AND the FAV acre-for-acre reduction...	THEN...
not been issued to the producer	has already been recorded but is not totally satisfied	the PFC regular payment process will reduce the final payment accordingly.
already been issued to the producer	is either of the following: <ul style="list-style-type: none"> not totally satisfied recorded after payments were issued 	County Offices shall: <ul style="list-style-type: none"> compute the overpayment according to 2-PF, Part 8 immediately transfer the overpayment to CRS and notify the producer of the debt not wait until October 1 to transfer the overpayment to CRS.

6 Subsidiary File Updates

A

Introduction

While the number of requests for authorization codes have declined over the past several years, the largest number of the requests continue to result from subsidiary files not being updated timely, especially for multi-county producers with insufficient payment limitation allocations.

B

Multi-County Requests for Updates

2-PL, Amendment 3 provided County Offices with 2 new forms that were developed to help County Offices communicate what changes are needed to subsidiary files. These forms are:

- CCC-738, used by control County Offices to request non-control County Offices to establish, change, or correct a producer's subsidiary records
- CCC-739, used by non-control County Offices to request control County Offices to establish, change, or correct a producer's subsidiary records.

2-PL, paragraphs 105 and 106 specify that action shall be taken by the receiving County Office within 3 workdays from the date the request is received.

County Offices are reminded:

- that it is mandatory that CCC-738 and CCC-739 are used when requesting subsidiary file updates
 - that action shall be taken on the request by the receiving County Office within 3 workdays
 - to follow the provisions of 2-PL, paragraphs 105 and 106.
-

Continued on the next page

6 Subsidiary File Updates (Continued)

C

Eligibility Flags and Their Impact on PFC Payments

County Offices shall ensure that subsidiary flags are updated to reflect producer eligibility and COC determinations.

Reminder: Ineligible producers are listed on the nonpayment register with a message that indicates which flag is preventing the payment from being issued.

As a reminder, this table describes:

- the eligibility flags that are used by the PFC payment process to determine producer eligibility
- which county's flags are read for multi-county producers.

See 2-PF, paragraphs 16 and 140 for additional information.

County	Eligibility Flag	Eligible Flag Values	Ineligible Flag Values	Flags Requiring Other Determinations
Control County	Actively Engaged	Y	N, S	B, M, blank
	Person Determination	Y	N, P	blank
Home County	Controlled Substance	Y	N	
	6-CP	Y	N, blank	B
	AD-1026	Y	N, A, F	
	FCI	B, I, O, W	N, blank	
Other County Offices	Controlled Substance	Y	N	
	6-CP	Y, B	N, blank	
	FCI	B, I, O, W	N, blank	

Continued on the next page

6 Subsidiary File Updates (Continued)

D

NRCS Technical Determinations

In FY 2000, several State Offices reported that NRCS technical determinations would not be completed by September 30, 2001, to allow producers to certify compliance on AD-1026 as required to issue the final PFC payments.

County Offices encountering this problem for FY 2001 shall immediately notify their State Office. State Offices shall notify Jan Jamrog, PECD, Compliance Branch at 202-690-0926.

E

County Office Action

Every County Office is required to promptly update subsidiary files, even if that County Office does not maintain an AMTA contract for a given producer. Failure to update the subsidiary files timely for eligible producers:

- only harms the producer by unnecessarily delaying a PFC payment that has been earned
- increases the possibility that FSA will not be in compliance with the statutory deadline.

Reminder: Subsidiary files shall be updated to reflect the actual eligibility status and COC determinations that have been made for the producer.

County Offices shall:

- review the nonpayment register to determine whether a condition exists that is preventing an eligible producer from receiving payment
 - for multi-county producers, review pending and nonpayment registers to identify situations where producers have reached their payment limitation, and contact the control county to request an additional allocation
 - follow the provisions of 2-PL, paragraphs 105 and 106 to request subsidiary file updates.
-

7 Automated Tools Available to Assist With PFC Payment Processing

A

Introduction

There are currently a variety of tools available to assist County Offices in identifying problematic situations. These tools are identified in this paragraph.

B

CCC-478B/ CCC-478 Status Report

The PFC nonpayment register identifies farms approved for payment with nonpayment conditions, but does not identify farms that are not approved for payment. However, the CCC-478B/CCC-478 Status Report indicates the status of a contract to identify action that may need to be taken on a particular farm.

1-PF requires that the CCC-478B/CCC-478 Status Report be printed:

- before processing PFC payments
- as many times as necessary to ensure that all PFC payments are issued timely.

County Offices shall generate the CCC-478B/CCC-478 Status Report for all status categories as many times as necessary to ensure that the status for each farm is recorded properly in the system. See 1-PF:

- paragraph 668 for a description of each code used on the report
- paragraph 669 to generate the report.

Recommendation: Numerous requests for authorization codes are the result of the COC payment approval date not being loaded in the system. It is recommended that County Offices specifically generate the CCC-478B/CCC-478 Status Report for “Approved CCC-478” and “Pending CCC-478B”, in addition to selecting the “All” category.

Continued on the next page

Notice PF-158

7 Automated Tools Available to Assist With PFC Payment Processing (Continued)

C

CCC-478E

CCC-478E replaced CCC-478P for FY 2001. CCC-478E includes the following:

- information about the producer, including whether the producer is multi-county, whether the producer is combined with other producers, and the producer's available payment limitation allocation
- whether the contract is approved for payment in the system
- calculated payment amounts and total payments issued to the producer
- FAV acre-for-acre information
- succession information.

County Offices shall use CCC-478E to verify that payments have been issued to all eligible producers on a farm.

D

Nonpayment Register

The primary tool available to County Offices for PFC payment processing is the nonpayment register. This register identifies all producers in the selected payment range that are not being paid because of:

- eligibility flags not being updated
- insufficient payment limitation allocations
- potential overpayment situations
- a variety of other reasons.

Some State Offices are still expressing a need for the prepayment register. The prepayment register, as it was implemented in the past, is exactly the same as the nonpayment register, except the prepayment register did not list producers that would not receive a payment because of an insufficient payment limitation allocation.

Since the nonpayment register includes **all** nonpayment conditions, this register is much more useful to County Offices than the prepayment register.

Reminder: If CCC-478 is not approved for payment, the farm is not in a payment condition. This is why farms that do not have a COC payment approval date loaded in the system are not listed on the nonpayment register. County Offices shall use the CCC-478B/CCC-478 Status Report to identify these contracts.

Continued on the next page

Notice PF-158

7 Automated Tools Available to Assist With PFC Payment Processing (Continued)

E

Pending Payment Register

Pending payment registers list all the producers in the selected payment range that are eligible to be paid. This register also identifies all payment reductions that have been subtracted from the calculated gross payment for each crop.

County Offices shall use the pending payment register to:

- verify that PFC payments are accurate and correct before:
 - mailing the check to the producer
 - transmitting EFT to the producer's financial institution
 - identify multi-county producers whose payments were limited because of an insufficient payment limitation allocation.
-

F

Subsidiary Download Reports

Many County Offices have expressed concerns that delays in the subsidiary upload/download process are preventing PFC payments from being issued. However, to date, very few actual problems in the upload/download process have been identified, and those involve unique situations.

The typical upload/download cycle can take anywhere from 7 calendar days to 2 weeks. Every time an upload is queued and a download is received, a download report automatically prints, providing subsidiary information. County Offices shall use this report to identify potential problematic situations.

Example: Producer A participates in Counties A and B. In FY 2001, the producer notifies County C that he or she is operating FSN 100. County C updates the name and address, farm/tract, worksheet, and share files and has the producer sign CCC-478.

10 calendar days later, County C receives a download report showing a \$20,000 payment limitation allocation in both Counties A and B with \$0 allocated to County C. County C shall:

- immediately contact the control county, using CCC-738, to request that money be allocated to County C
- follow up on the request, and if necessary, contact the State Office for assistance, if the allocation is not received promptly
- **not** wait until they are ready to issue payments to a producer to notify the control county that a payment limitation allocation increase is needed.

See 2-PL for a full description of download reports generated during start-of-day.

Continued on the next page

Notice PF-158

7 Automated Tools Available to Assist With PFC Payment Processing (Continued)

G

Summary of Reports

This table describes:

- reports available to County Offices to assist in PFC payment processing
- situations that may prevent a PFC payment from being issued.

Condition	CCC-478B/ CCC-478 Status Reports	Nonpayment Register	Pending Payment Register	Producer Payment Selection Reports	Subsidiary Download Reports
COC payment approval date is not loaded in the system.	✓				
Producer has refused all program payments.		✓			
Producer has refused the PFC program payment for a particular farm.		✓			
Producer has been flagged as not eligible for payment because of a violation on another contract.	✓	✓			
Payments issued to the producer exceed the current calculated payment for the farm and crop.		✓			
None of the crop payment can be issued because the producer has reached payment limitation.		✓			✓
A portion of the crop payment has not been issued because the producer reached payment limitation.			✓		✓
The producer is ineligible because of the actively engaged determination.		✓			✓
The producer is ineligible because of the person determination.		✓			✓
The producer has not certified AD-1026.		✓			
The producer is not eligible because of conservation compliance.		✓			✓
The producer is not eligible because of a controlled substance violation.		✓			✓
The producer is not eligible because the crop insurance requirements have not been met.		✓			✓
Producer's payment has been reduced because of an FAV acre-for-acre payment reduction.			✓		
Producer has not elected to receive the FY 2001 PFC payment or the percentage option.	✓			✓	
Determine the month the producer has elected to receive the FY 2001 PFC payment and the percentage option selected.				✓	

8 Available Queries

A

Introduction

There are also a variety of queries that have been developed to assist County Offices in identifying potential problematic situations. These are identified in this paragraph.

B

Farm Maintenance Query

Query PFCFIX runs a series of queries that identifies the following:

- farms with undesignated shares greater than zero
- list of farms with zero PFC acres listed in the farm maintenance file, but a COC payment approval date has been updated in the CCC-478 contract file
- farms in which the current year PFC acreage and/or current year PFC payment yield in the PFC file is not equal to the current year farm maintenance file
- PFC acreage greater than effective agricultural use acreage plus the average double-cropped acreage.

County Offices shall use Query PFCFIX to identify situations where the PFC data may be incorrect and corrective action is necessary. See 3-CM, Part 13 for additional information on Query PFCFIX.

Continued on the next page

8 Available Queries (Continued)

C

**CCC-478/
FSA-578 Share
Comparison
Query**

Notice PF-154 indicated that queries were being developed to compare producers on FSA-578 to producers on CCC-478 for a farm. The intent was to provide a tool that could be used in identifying farms for which a PFC revision is required.

It has been determined that a query cannot be provided specifically for this purpose, and that County Offices must rely on:

- manual review of FSA-578's in relation to CCC-478's, as instructed in Notices PF-154 and PF-155, to determine farms for which PFC revisions are required
- any current queries or reports that may assist in determining which PFC's may need to be revised.

There are various reasons that prevented the development of a query to accurately identify farms for which a PFC succession is required, such as:

- producers are not required to file FSA-578 for all land uses
 - the PFC acreage may be less than the effective agricultural use acreage
 - PFC payment share provisions do not necessarily match crop shares
 - crops reported on FSA-578 may be different than crops on CCC-478.
-